

HOW CAN EFFECTIVE GOVERNANCE BUILD BUSINESS OPPORTUNITIES BETWEEN AUSTRALIA AND THE VISEGRÁD COUNTRIES?

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Abstract

Australia's economic ties to Europe relatively weakened over the past decades, the Asian Century opened up new opportunities, and diverted attention from a Euro-centric political and economic view. This paper does not challenge the merit of Australia's current global orientation. However, it does take the opportunity to a possibility for diversification, using effective leadership in raising business opportunities with the emerging region of Europe: the Visegrád Countries. This group of nations have been earmarked as the best performing, latest additions to the EU. Outcomes of a round table discussion with key stakeholders of the Australia – Central Europe business relations are documented and cross-referenced with extant literature to highlight the main areas in which effective leadership can build business opportunities***.

Keywords: Business Opportunities, Corporate Governance, Emerging Markets, Leadership

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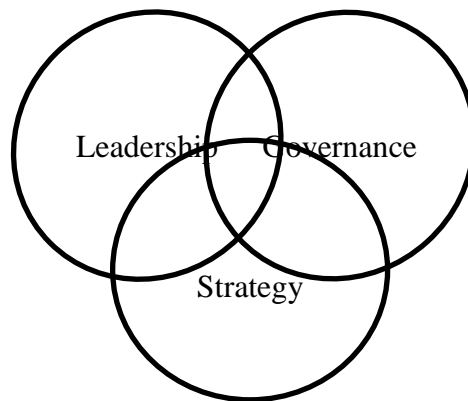
1 Introduction

Leadership – as defined by the current body of literature – is a multi-faceted societal, political and organisational phenomenon that exists on several levels of analysis (Dionne et al. 2014). Individual, group and organisational levels are addressed in the trait, behavioural and contingency leadership paradigms (Lussier & Achua 2013). Hernandez et al. (2011) define leadership in a complex and holistic manner that is capable of addressing challenges faced by society. Integrative leadership is an emerging paradigm, which has been brought about by the necessity to understand leadership in its complexity (Burns 2003), in particular within the context of facilitating the organisation of international communities (Crosby & Bryson 2005). Such international, political, public and community leadership is in focus when exploring the development of international economic relations.

Dionne et al. (2014) identify political and public leadership as one of the many domains of leadership research, which focusses on investigating leadership of political figures and leadership in communities. This definition is in contrast to the political leadership definition of Ammeter et al. (2004), who focus on the

aspects of organisational politics. Political leadership in this context describes the level of leadership, that can influence individual actors and communities in the public (Elcock & Fenwick 2012) and private sector (Day et al. 2014) to develop opportunities for a broad range of stakeholders.

When compared to the above outlined definitions of the domain of leadership, governance addresses the configuration of the technical, organisational framework facilitating effective leadership (Levy & McKiernan 2009) in the business (Albert-Roulhac & Breen 2005; Heidrick & Struggles 2013), public (Acuto 2013) and NGO (Chait et al. 2004) sector organisations. By addressing leadership issues, practical recommendations can be derived to develop governance frameworks. Leadership is both broader and narrower in its scope, compared to governance, and strategy is often identified as a facilitator (see Figure 1). This paper focuses on how leadership can influence governance at different levels to facilitate achieving objectives. Empirical evidence underpins this approach, particularly as organisational leadership and performance are proven to be related (Rashid & Islam 2011).

Figure 1. The leadership, governance and strategy conceptual triangle

Source: based on Leavy and McKiernan (2009)

An inherent aspect of leadership is the process of influencing people through change in order to achieve a specific goal or goals (Lussier & Achua, 2013). The path to achieving goals is often paved by hindrances and challenges, which need to be overcome to reach the desired outcomes. Barriers to achieving goals can be viewed as limitations of hard reality, or perceptions and beliefs often manifesting as misguided perceptions that inhibit achievement of goals.

Central and Eastern Europe has become a point of interest several times during the 19th, 20th and 21st centuries, and Australia has a long history of engagement and exchange with the region. 19th century was earmarked by sporadic migration to Australia from the Central European region (Jupp 2001), with examples of remarkable migrant contributions to building early Australian community (Victorian Collections 2014). Waves of migration from Central Europe into Australia was closely related to political events of global magnitude, such as the World Wars, revolutions (Hungary 1956, Czechoslovakia 1968), and civil strife (Yugoslav wars 1991-1999), which triggered peaking migrant influx into Australia (Colic-Peisker 2009; Lidicky 2008; DIMA 2001, DIAC 2014a; 2014b; 2014c; 2014d). Enhanced economic exchange characterised the relationship between Australia and Central Europe since before the fall of the Iron Curtain in Europe (Joint Standing Committee on Foreign Affairs Defence and Trade 2003), with enhanced education and political connections developing after the political changes and EU accession took effect in Central Europe. The Australian Program of Training for Eastern Europe (APTEE) was a training program specifically tailored to providing business education to hundreds of people from Central and Eastern Europe (Australian International Development Assistance Bureau 1990), and the intensive student exchange was followed by ongoing networking and collaboration in the form of regular conference meetings of the APTEE alumni.

After such a substantial history of interaction and cooperation between the regions, it has been

highlighted in the recent years, that Central Europe is one of the strategic growth areas of the European economy (Labaye et al. 2013). After the recession starting in 2007, sluggish growth has enduringly characterised Central Europe, but the prognoses of development in manufacturing sectors (Joint Standing Committee on Foreign Affairs Defence and Trade 2003) have manifested in the development of substantial export capacities (Jedlička et al. 2014).

In light of the emergence of the Asian Century (Commonwealth of Australia 2012), engagement opportunities for the Australian economy with Europe may seem of relatively small importance and value. This was already identified as a point of concern a decade earlier, nevertheless arguments are here presented that diversified engagement presents value for Australia in terms of stability, continuity and seeking active engagement with a diverse portfolio of geographical regions is highly beneficial (Joint Standing Committee on Foreign Affairs Defence and Trade 2003).

This paper seeks to explore the role of international, political, public and community leadership in building and re-building relationships between Australia and Central Europe, by examining the case of the Central European Visegrád Countries, based on historical information relating to population, cultural and economic exchange, and notes taken at a panel discussion facilitated involving a wide range of stakeholders (public officials from Australia and Central Europe, business representatives and academics) in November 2014 in Melbourne. The aim of our paper is to develop and apply an analytical tool: the leadership and engagement matrix. Its objective is to make recommendations for private and public sector stakeholders in how to create and use effective leadership to enhance economic and social exchange between the global regions. This is relevant in making recommendations for governance both at national, international, policy business and government levels.

Accordingly, the paper consists of three sections to follow. Section 2 provides an overview of secondary data in relation to migration, cultural and

education exchange and trade and investment. This is concluded by discussing projections in relation to the future potential of economic exchange between Australia and the Visegrád countries. The authors do this to validate the potential for developing international relations between Australia and Central Europe, and to provide a basis for analysis using the leadership and engagement matrix framework. Section 3 provides a brief review of the literature on integrative leadership and the different levels of governance and develops the leadership and engagement matrix framework. Section 4 provides a detailed analysis of the challenges and possibilities within this space using the leadership and engagement matrix. Finally, section 5 of the paper concludes with a summary of findings and recommendations in relation to the leadership challenges described above, reflections on the use of the leadership and engagement matrix, highlighting avenues for future research.

2 Australia's relations to Central Europe

This section provides an overview of secondary information in relation to population, cultural and economic exchange between Australia and the Visegrád countries. As highlighted in the parliamentary debate in relation to the 2013 closure of the Australian embassy in Budapest (Open Australia 2013), there has been a long history of migration, and political cooperation between the two countries. With current (2015) Australian diplomatic and economic representation³³ focussing on Central Europe, and all Visegrád countries having diplomatic representation (it is argued, that there is existing high level infrastructure present to build on the foundations laid in the past.

2.1 Population movement

A rich history of migration typifies Australia's interaction with Central Europe and the Visegrád countries throughout the 19th and 20th centuries. 19th century migration was characterised by formative characters of early colonial Australian history, such as Ernest Leviny (Victorian Collections 2014) and continued in the early 20th century in a similar, sporadic manner, earmarked by migration of a predominantly political and humanitarian nature for the majority of the century (Rasmussen 2006, Colic-Peisker 2009; Lidicky 2008; DIMA 2001). Table 1 shows some key figures of foreign born population in Australia, by number of people and country of origin. Gradually, the share of the Visegrád community out of Australia's total population decreased from

approximately 1% to around 0.4% recently, with overseas born community numbers on record peaking at around 1996. Not surprisingly, migration in the opposite direction has not been substantial, only showing a few hundred people leaving Australia to move to Central Europe.

These numbers may not necessarily accurately reflect the size of communities, and other sources quote larger ethnic population sizes (Open Australia 2013), which probably include members of the communities born in Australia (2nd, 3rd generations), or immigrants from other countries. This further augments the potential Australia can utilise building relations with the Central European Visegrád nations.

2.2 Culture and education

Cultural exchange with Central Europe was strongly related to migration for an extended period of time. Migrants have brought with them their national culture (Jupp 2001) and their legacies are to be found Australia wide. Given the minimal flow of migrants in the opposite direction, the distance and cost of travelling, and political issues sparking up during the 20th century have also left a mark on the relationship between the regions.

With the opening up of Central and Eastern Europe in 1989, educational exchanges have caught momentum. The Australian Program of Training for Eastern Europe (APTEE 1990) later renamed and extended in geographical scope as Australian Program of Training for Eur-Asia (APTEA 1994) is an example of existing and growing cooperation. The training program provided an opportunity for incoming students from the transitional countries of Central and Eastern Europe, and later Western Asia as well to complete a Graduate Certificate of Business Administration course. The key objectives of the programme included:

- Assisting the development of commercial relationships;
- Contribute to Eastern Europe's movement towards a market economy;
- Provide students with competitive business skills.

Records show, that between 1991 and 1993, 160 fellows have taken part in the exchange (APTEE 1993), and throughout the life of the programme until its conclusion in 1997, there have been some 424 participants who arrived in 22 groups recorded of whom in total 27 participants were Czech, 42 Hungarians, 48 Polish and 20 Slovak, constituting a total of 137 participants from the Visegrád countries (Makmakas n.d.). The enduring impact of the initiative is signified by the alumni community, which has held eleven, bi-annual congresses between 1994 and 2014.

³³ Australia currently has an embassy in Warsaw and Vienna; an Austrade regional office in Warsaw; and has diplomatic representations of Visegrád embassies in Canberra, and consulates, and honorary consuls and trade and investment offices in Melbourne and Sydney.

Table 1. Australian immigration from the Visegrád countries

	1921	1947	1954	1961	1971	1981
Czech Republic	-	-	-	12,132*	16,602*	16,152*
Hungary	148	1,227	14,602	30,533	29,160	27,987
Poland	1,780	6,573	56,594	60,049	59,700	68,496
Slovak Republic	-	-	-	12,132*	16,602*	16,152*
TOTAL	1,928	7,800	71,196	90,582	88,860	96,483

	1991	1996	2001	2006	2011	2013
Czech Republic	17,648*	13,720	13,070	13,940	13,450	13,590
Hungary	25,301	27,770	25,660	24,070	22,440	21,930
Poland	65,119	72,420	65,540	62,920	57,920	56,750
Slovak Republic	17,648*	5,860	6,430	5,990	6,050	6,320
TOTAL	90,420	119,770	110,700	106,920	99,860	98,590

* Figures from 1961 to 1991 are for Czechoslovakia.

Sources: ABS (2015), DIMA (2001)

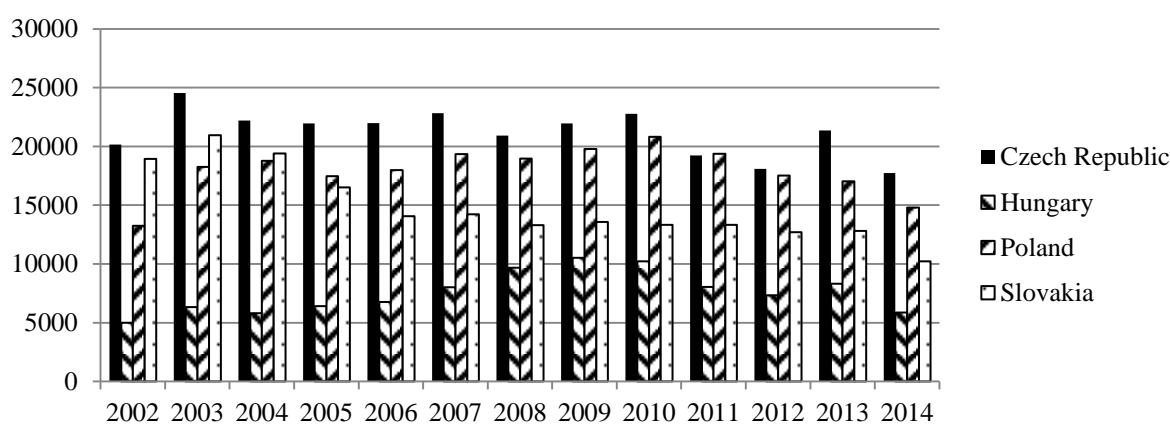
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Figure 2. Stock of international students in Australia, by country

Source: Department of Education (2014)

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its conclusion in 1997, there have been some 424 participants who arrived in 22 groups recorded of whom in total 27 participants were Czech, 42

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With the expansion of the export of Australian education abroad, the number of international students rapidly expanded. Figure 2 provides details of incoming students to Australia from the four Visegrád countries. Total international student numbers peaked at 70,000 in 2003, and have settled at around 48,000 in 2014. With English being the commonly most spoken foreign language across the four countries (Mejer et al. 2010), potential of further cultural and educational exchange is holds many opportunities. According to survey results, in 2007, 33.4% of Czech, 14.5% of Hungarian, 25% of Polish and 30% of Slovak respondents between the ages of 24-65 indicated being proficient in English, although English literacy rates are well below Western European levels of approximately 50%³⁴ (Mejer et al. 2010). There is substantial language skill still existing in the Australian communities as well. 56.8% of Czech, 59.2% of Hungarian, 71% of Polish and 61.7% of Slovak households in Australia indicated that they speak the respective national languages at home, demonstrating potential ability for business communication and interest in consumption of cultural goods and services as well (DIAC 2014a; b; c; d).

3.3 The evolution of trade

Foreign trade has always contributed substantially to Australia's GDP. In the first half of the 19th century, exports made up approximately 10% of Australia's GDP, with a peak of 40% at around the gold rush years of the 1850s. In the first half of the 20th century, exports stabilised at around 20% of the GDP (Pinkstone & Meredith 1992), which is still the case today. Prior to Federation, 70 per cent of Australia's exports were directed at the UK and volumes remained relatively stable until prior to WWII, but trade patterns began to change considerably shortly afterwards.

Table 2 shows Australia's direction of trade during the 20th century. The UK's influence on Australian trade fell considerably in 1938/39 and by 1975/79, merely constituted 4.2 per cent of Australia's exports. Central and Eastern Europe did not contribute considerably to either Australia's exports, or imports in this time frame. The establishment of the European Community, and UK's accession into it (in 1973) only weakened Australia's trade position towards Europe (Abbott 2006). Since then Australia began to diversify its trade, placing particular attention to the Asian region – 'the Asian Century' (Commonwealth of Australia 2012) resulting, mainly from the fact that the

UK found other commercial partners and that world trade conditions changed considerably.

Table 3 highlights the major shift in Australian trade towards its newly found partners in Asia. Of the top 5 trading partners 4 are from the Asian region, while the other one is the United States of America. In terms of exports, in a period of less than 20 years China became Australia's foremost trading partner, followed by Japan and the Republic of Korea. A similar pattern of trade can be seen in terms of imports. Together these three nations' two way trade adds up to nearly half of Australia's total trade with the rest of the world. Asia's importance therefore is clear and significant. This concentration in terms of trade further highlights the potential of and necessity for diversification, which brings about stability and resilience for the Australian economy.

The pace and scale of change in the region have been staggering ... the past 20 years, China and India have almost tripled their share of the global economy and increased their absolute economic size almost six times over. By 2025, the region as a whole will account for almost half the world's output. Many millions of people will have been lifted out of poverty. They will live longer and be better connected to the world (Commonwealth of Australia, 2012, p. 6).

Further detailed review of annual data highlights substantial yearly fluctuation of export and import volumes between Australia and the Visegrád countries. That, despite the substantial total growth of exports (+526%) and imports (+1838%), demonstrates a lack of stability of the economic relationship. Furthermore, the deficit in merchandise trade between the two regions for Australia needs to be addressed.

3.4 A snapshot of foreign investment

Whilst Australia has traditionally been a recipient of investment and foreign capital, particularly from Europe, the Central and Eastern Europe – due to capital scarcity and lower income levels – has never been in a position to supply investment into Australia. This presents a similar relationship when compared to the surplus of merchandise trade realised by the Visegrád countries. Foreign investment consists of portfolio and foreign direct investments.

Foreign direct investment is the practice exercised by multinational enterprises involving the direct purchase of existing enterprises, real assets such as plants, buildings and land, in a foreign country. FDI also involves the acquisition of foreign firms, joint ventures and the formation of newly established foreign subsidiaries (e.g. Madura, 2012 and Eiteman, et.al. 2012). FDI is of growing importance to the economic development of nations and is of particular benefit, not only to Australia, but to emerging Central European the Visegrád countries as well.

³⁴ Interestingly, German is equally widely spoken in these countries.

Table 2. Directions of Australian trade, 1938/9 – 1975/6

Exports								
Country	1938/39		1946/47		1955/56		1975/76	
	£m	%	£m	%	£m	%	\$m	%
UK	66.7	54.4	89.6	29.0	257.9	33.1	402.5	4.2
Canada	2.0	1.6	5.3	1.7	10.9	1.4	243.9	2.6
New Zealand	6.7	5.4	12.9	2.3	41.1	5.3	455.2	4.8
India	2.0	1.6	13.0	4.2	12.2	1.6	71.5	0.8
Belgium	5.5	4.5	19.1	6.2	26.3	3.4	118.8	1.2
France	9.4	7.7	20.7	6.7	67.4	8.7	206.5	2.2
Germany	2.7	2.2	1.4	0.5	36.5	4.7	292.5	3.1
Italy	1.2	1.0	13.2	4.3	34.6	4.5	206.7	2.2
Japan	4.9	4.0	5.6	1.8	86.8	11.2	3112.9	32.6
USA	3.6	3.0	47.6	15.4	55.2	7.1	969.0	10.1
Other	17.8	14.6	80.6	27.9	147.0	19.0	3476.3	36.2
Total	122.5	100.0	309.0	100.0	775.9	100.0	9555.8	100.0
Imports								
Country	1938/9		1946/7		1955/6		1975/6	
	£m	%	£m	%	£m	%	\$m	%
UK	46.1	40.7	74.6	35.8	355.9	43.5	1108.7	13.4
Canada	8.8	7.8	16.7	8.0	23.4	2.9	203.9	2.5
New Zealand	1.6	1.4	2.9	1.4	8.3	1.0	251.3	3.1
India	3.3	2.9	17.4	8.4	23.4	2.9	50.1	0.6
Belgium	1.1	1.0	1.6	0.8	9.3	1.1	70.0	0.9
France	1.2	1.0	1.7	0.8	15.6	1.9	138.8	1.7
Germany	4.7	4.2	0.1	0.1	35.0	4.3	543.6	6.6
Italy	0.8	0.7	2.8	1.3	11.8	1.4	192.1	2.3
Japan	4.7	4.1	0.7	0.3	22.6	2.7	1609.5	19.5
USA	16.7	14.7	39.8	19.1	98.7	12.1	1655.6	20.1
Other	24.3	21.5	50.1	24.0	214.3	26.2	2416.7	29.3
Total	113.3	100.0	208.4	100.0	818.3	100.0	8240.3	100.0

Source: NNAE (1974, p. 130)

Worldwide flows of FDI have increased significantly since the 1990s. In spite of this persistent growth, these growth rates have been quite uneven, favouring primarily developed nations in the OECD. Nevertheless, the proportion of FDI inflows going to emerging economies has increased considerably between 1985 and 2012, with China being a main beneficiary of these investments (see Krugman, et.al. 2012).

FDI has played a substantial role in the transformation of the Central and Eastern European economies, in particular as privatization facilitated the influx of FDI into these economies from the more developed, market economies (Gros & Steinherr 2004, Berend 2009). In mind with the substantial Australian involvement of early education exchange post transition, it can be expected that despite the geographical distance (Blainey 1982), substantial Australian interest in developing economic relations through FDI has manifested in outward FDI from Australia to the Visegrád countries. Table 4 provides some information on investment flows between Australia and the Visegrád economies. Availability of investment data between the regions – due to the

relatively low amounts – is scarce both in Australian sources, both in the OECD Statistics database.

In fact, these amounts sound minimal, when compared to the top players in Australian investment. The largest investor in Australia was the USA in 2012 (23.9%), followed by the UK (14.4%), Japan (11.1%), the Netherlands (5.9%) and Singapore (4.3%), and the stock of FDI mounted up to A\$ 549.6 Bn. In terms of investment flows, the largest investors in Australia in order of importance both in 2012 and 2013 were the US, UK, Singapore, Japan and China, with total FDI inflows for both years mounting up to A\$ 114 Bn. In relation to this, investment transactions with Central Europe sound insubstantial, providing lots of room for improvement. Avenues for this improvement require a systematic approach to shaping the institutional environment, as firm investment behaviour has been demonstrated to be significantly influenced by the context of the firms (Majocchi et al. 2013).

Table 3. Directions of Australian trade, top 10 trading partners, 1993-2013

	Partner Country	1993	Share (%)	1998	Share (%)	2003	Share (%)	2008	Share (%)	2013	Share (%)
	Exports (millions, \$A)	1. China	2,268	4	3,872	4	8,803	8	27,034	12	77,973
2. Japan		15,206	24	17,580	20	21,727	20	34,967	16	46,481	18
3. Republic of Korea		3,970	6	6,397	7	9,116	8	14,240	6	19,116	7
4. India		889	1	1,852	2	2,576	2	9,328	4	11,418	4
5. United States		4,940	8	7,794	9	10,365	10	10,602	5	9,022	3
6. Czech Republic		19	0.03	63	0.07	69	0.06	82	0.04	113	0.04
7. Hungary		4	0.01	13	0.01	25	0.02	17	0.01	18	0.01
8. Poland		18	0.03	30	0.03	19	0.02	40	0.02	130	0.05
9. Slovak Republic		1	0.00	5	0.01	9	0.01	7	0.00	1	0.00
10. Visegrád countries		42	0.07	110	0.12	122	0.11	145	0.07	263	0.10
11. Rest of the world		35,423	56	51,379	58	55,247	51	126,024	57	97,687	37
TOTAL (World)		62,738	100	88,985	100	107,956	100	222,341	100	261,959	100
Imports (millions, \$A)	1. China	2,557	4	5,303	5	13,789	11	30,994	14	44,478	18
	2. United States	13,004	21	19,834	20	22,494	17	24,325	11	27,980	12
	3. Japan	11,139	18	12,660	13	16,337	13	19,679	9	18,346	8
	4. Singapore	1,509	2	2,643	3	4,370	3	13,685	6	14,329	6
	5. Thailand	756	1	1,480	2	3,471	3	8,846	4	11,129	5
	6. Czech Republic	40	0.06	55	0.06	121	0.09	373	0.17	641	0.27
	7. Hungary	30	0.05	67	0.07	136	0.10	417	0.18	308	0.13
	8. Poland	22	0.04	40	0.04	99	0.08	374	0.17	565	0.23
	9. Slovak Republic	2	0.00	6	0.01	19	0.01	211	0.09	328	0.14
	10. Visegrád countries	95	0.15	167	0.17	374	0.29	1,375	0.61	1,841	0.77
	11. Rest of the world	33,343	53	54,685	57	69,057	53	127,042	56	122,436	51
	TOTAL (World)	62,402	100	96,773	100	129,893	100	225,946	100	240,540	100

Source: DFAT (2014a)

Table 4. FDI transactions between Australia and the Visegrád countries in 2013

(A\$ million)	Investment from Australia		Investment into Australia	
	total	FDI	total	FDI
Czech Republic	256	69	30	np
Hungary	353	np	19	np
Poland	1460	np	np	np
Slovak Republic	11	np	0	0

np: data not published

Sources: DFAT (2015a; b; c; d)

3.5 The future of trade and economic prospects

Future prospects can be understood based on past trends and current economic figures. Table 5 summarises key features of the economies investigated. Whilst Australia is larger in the absolute

extent of the economy, and land mass, the Visegrád countries display a higher population, greater relative importance and growth of industrial output. Magnitude of education expenditures are similar across the regions.

Table 5. Market size and other economic characteristics of Australia and the Visegrád countries

Australia GDP (2012): US\$ 1,564 Bn Population (2012): 23.1 million Land area: 7,692,000 km ² Industry employment (2010): 21.1% Export (2012): China, Japan, ROK Import (2012): China, US, Japan Gov. education exp. / GDP (2006-12): 5.6% Industrial prod. ind. (2012/2005): 118	Visegrád four total * GDP (2012): US\$ 904 Bn Population (2012): 64.3 million Land area: 532,816 km ² Industry employment (2012): 32.2% Export (2012): Germany, Visegrád countries Import (2012): Germany, Russia, China Gov. education exp. / GDP (2006-12): 4.4% Industrial prod. ind. (2012/2005): 134
Czech Republic GDP (2012): US\$ 196 Bn Population (2012): 10.66 million Land area: 78,866 km ² Industry employment (2012): 38% Export (2012): Germany, Slovakia, Poland Import (2012): Germany, China, Poland Gov. education exp. / GDP (2006-12): 4.3% Industrial prod. ind. (2012/2005): 116	Hungary GDP (2012): US\$ 125 Bn Population (2012): 9.98 million Land area: 93,026 km ² Industry employment (2012): 30% Export (2012): Germany, Romania, Slovakia Import (2012): Germany, Russia, Austria Gov. education exp. / GDP (2006-12): 4.9% Industrial prod. ind. (2012/2005): 112
Slovakia GDP (2012): US\$ 93 Bn Population (2012): 5.45 million Land area: 49,036 km ² Industry employment (2012): 37.5% Exp. (2012): Germany, Czech Rep., Poland Import (2012): Germany, EU, Russia Gov. education exp. / GDP (2006-12): 4.2% Industrial prod. ind. (2012/2005): 145	Poland GDP (2012): US\$ 490 Bn Population (2012): 38.21 million Land area: 311,888 km ² Industry employment (2012): 30.4% Export (2012): Germany, UK, Czech Rep. Import (2012): Germany, Russia, China Gov. education exp. / GDP (2006-12): 4.3% Industrial prod. ind. (2012/2005): 145

* Aggregation based on authors' own calculations

Source: UN (2014)

The growth of two way trade outgrew both economies on an annual basis. Table 6 shows results of calculations regarding the average annual growth of GDP based on the TRIEC data (DFAT 2014a) and World Bank (2015) GDP growth indicators. The average annual growth rate of two way trade far exceeded the average annual GDP growth rates for all four Visegrád countries, and also Australia's

considerable economic growth over the examined 21 year time period.

What's even more surprising is that Australia's total two way trade grew at exactly the same average annual rate as Australia's trade with the Visegrád countries. It is also visible from the data that higher economic growth rates in the partner country attract higher trade growth figures. However, noting that Australia has a trade deficit with countries of the

Visegrád group, and that export and import figures are subject to substantial fluctuation on an annual basis,

these trends may not truly project future trade opportunities.

Table 6. Two way trade between Australia and the Visegrád countries 1993-2013

Two way trade (A\$000)	1993	2013	Annual trade growth	Annual GDP growth
Czech Republic	59,902	753,670	12.82%	2.38%
Hungary	34,521	325,593	11.28%	1.94%
Poland	39,680	695,360	14.61%	4.26%
Slovak Republic	3,420	329,400	24.30%	4.07%
Visegrád total	137,522	2,104,024	13.87%	-
Australia total	125,141,049	502,499,528	13.87%	3.43%

Sources: DFAT (2014a) and World Bank (2015)

3 The leadership and engagement matrix

The purpose of this section is to develop an analytical tool within the framework of integrative leadership theory, to highlight challenges faced when considering the development of relationships and exchange between Australia and the Visegrád countries. The objective of this paper is to use this analytical tool (leadership and engagement matrix) to devise strategies and inform governance for private and public sector use.

This firstly requires a review of the literature of integrative leadership theory and its relationship to corporate governance. The section continues with the development of the analytical tool (leadership and engagement matrix) to be used to fulfil the research objectives.

3.1 Review of literature leadership and governance

Leadership that is appropriate at the international community level, for raising awareness, building strategy and managing shared interest of communities requires a complexity approach (Hazy et al. 2007). A comprehensive and integrative approach within the mechanisms and locus of leadership places leadership complexity theory primarily into the domain of cognition (what people think), linking the investigation of leaders and their contexts (Hernandez et al. 2011). This demonstrates a particular overlap between political (Heidrick & Struggles 2013) and business (Leavy & McKiernan 2009) leadership.

Political leadership is often defined as a problem-driven approach to leadership, in a context where globalisation creates new forms of international and transnational leadership of organisations and communities (Knight et al. 2009). A political leader is most often an elected representative, whose task is to manage the relationships between the communities involved. Political leaders can be pragmatic and work in a particular context to solve problems, but can also be ideological in governing their context into recognising certain problems and following certain principles, or charismatic, setting objectives to their communities (Larsen 2011). Leadership at an

international level needs to encompass all three types of political leadership.

Business leaders set strategies for organisations to follow when pursuing their objectives (Leavy & McKineran 2009), and shape governance of businesses by their characteristics and traits (Albert-Roulhac & Breen 2005). Complexity leadership theory in business leadership emphasises, that leadership can be implemented through any interaction within an organisation (Hazy et al. 2007).

Tihanyi et al. (2014) emphasise, that governance in management research needs rethinking. Corporate governance is defined as a “system by which companies are directed and controlled” (p. 1535). Governance research has traditionally taken the finance perspective, and management research has focussed on well-defined research problems, such as management decision making, policy and CEO compensation – a lot to do with agency-conflict theory, which is ultimately an insufficient conceptual background for formulating validated policy implications (Dühnfort et al. 2008). A growing stream of studies examines governance in a broader context, relating to the external environment. Steger and Hartz (2005) provide a review of corporate governance in the German context, which has traditionally strongly influenced other Central European countries, to find a substantial stakeholder orientation. Klettner et al. (2014) provide empirical evidence for linking leadership, corporate governance and strategic outcomes.

Based on the above literature reviewed, it is consistent within both political and business leadership research, that governance is predominantly the means of setting objectives identified by leadership into action. Thus, the leadership and engagement matrix is developed by integrating the perspectives of complex leadership theory into an international context. This is done by combining the former with concepts developed in the sphere of corporate governance.

3.2 Development of the leadership and engagement matrix

In order to identify and build strategies around international community goals, a systematic analytical method is necessary that encompasses leadership and governance. Elcock and Fenwick (2012) provide the

foundations of a matrix based leadership analytical tool that integrates institutional, individual and informal perspectives of leadership in government and public governance. Extending from this basis, the leadership and engagement matrix framework was created (see Table 7.)

Table 7. Leadership and engagement matrix template

Conceptual areas	Facts / perceptions	Opportunities	Objectives	Strategies	Governance

Conceptual areas need to be identified with regard to the interest of stakeholders and theoretical considerations in terms of developing international business relations and exchange. Facts and perceptions are secondary data based analysis and stakeholder views that provide specific foundations to the potential opportunities identified. Objective setting is a function of facts, perceptions and opportunities, and strategies are possible means of addressing the gap identified by the objectives. Governance is the final component of the leadership and engagement matrix, specifying the framework in which the strategies are implemented within the international context, in the political and business sphere.

4 Leadership and engagement in the Australia – Central Europe relationship

The previous sections outlined the background and context of cooperation between the region, and provided a conceptual foundation and an analytical tool to pinpoint and address the challenges needed for successful international relationship development.

Besides secondary information, it has been almost unanimously highlighted by authors of leadership and governance both in public and the private sector that stakeholder engagement and involvement in this shared thinking and evaluation process is essential. In order to cover the widest possible range of stakeholders, a round table discussion was organised on the 27 November 2014, in Melbourne, Australia, with the participation of Australian and Visegrád country government representatives, members of the academia, and industry. The objectives of this workshop were generally aligned to the original objective statement of the APTEE program, namely:

- Generate public interest and exposure of the potential in business, government and academic collaboration between Australia and Central-Eastern Europe;
- Develop strategies to facilitate enhanced exposure, information flow and stakeholder engagement of Central-Eastern European Business in Australia;
- Provide a platform for stakeholder involvement;

- Organise activities and events supporting achievement of the above objectives.

For these objectives to be achieved, and further trade, investment, education and other exchange possibilities to be realised, the leadership and engagement matrix focuses on six key areas: (1) trade, (2) investment, (3) language & education, (4) business practices, (5) economy of scale & distance, and (6) information & engagement (see Table 8).

4.1 Building trade

The growth of two way trade has far exceeded economic growth. As the combined market size of the two economic regions can be considered similar, and past growth potential has been demonstrated, there is a pronounced opportunity for further growth. As the Visegrád countries display higher industrial growth levels than Australia, it is likely to provide an opportunity of resource demand driven growth, contributing to balancing out trade between the regions.

As mentioned at the round table discussion, services, such as market information provision and increased collaboration between the public and private sectors involving all five countries can yield progressive results.

4.2 Facilitating investment

The magnitude of investment, and in particular FDI, is not substantial between the regions. Historically, both regions can be considered net recipients of foreign investment, and in particular since the opening up of the Eastern bloc countries. The Visegrád four have been attracting significant levels of FDI on a global scale. Investment can be an effective tool for Australia to strengthen its economic ties with Central Europe, and thus become a vehicle for closing the trade deficit gap.

Table 8. Leadership and engagement matrix between Australia and the Visegrád countries

Conceptual areas	Facts / perceptions	Opportunities	Objectives	Strategies & governance
Trade	20 years of fast growth of two way trade, with Australian deficit.	<ul style="list-style-type: none"> • Visegrád countries market size and growth comparable to Australia • Australian export can grow into Visegrád countries • Think about services, not just goods 	<ul style="list-style-type: none"> • Grow trade • Improve trade balance • Grow service trade 	<ul style="list-style-type: none"> • Market info. provision • Public-private cooperation • Industry specificity *
Investment	Low involvement, predominantly outward FDI from Australia, manufacturing opportunities	<ul style="list-style-type: none"> • Growth of investment, thereby integrating supply chains and establishing market access • Australian investment could grow into Visegrád countries 	<ul style="list-style-type: none"> • Facilitate FDI • Strengthen economic ties • Reduce risk 	<ul style="list-style-type: none"> • Venture capital • Financial sector enhancement (banks) • Guarantees
Language & Education	Existing basis of English speakers in Visegrád countries with room for improvement	<ul style="list-style-type: none"> • Potential for language up-skilling of Visegrád countries and community language education in Australia 	<ul style="list-style-type: none"> • Language education • Student exchange • Arts and culture exchange * 	<ul style="list-style-type: none"> • Curriculum design • Multicultural education • Student exchange
Business practices	Fundamental differences in business cultures *	<ul style="list-style-type: none"> • Consulting firms can provide transactional advice * • Education providers can inform business practice * • Facilitation and support – private and public 	<ul style="list-style-type: none"> • Harmonisation • Awareness • Risk elimination 	<ul style="list-style-type: none"> • Government agreements • Executive education
Economy of scale & distance	Due to distance, small scale exporters struggle to gain economical access *	<ul style="list-style-type: none"> • Organise cooperation for market access and transport * • Facilitate integration of small businesses* • Work with multinationals operating in both regions 	<ul style="list-style-type: none"> • Build volume • Coordinate cooperation * • Activate NGOs * 	<ul style="list-style-type: none"> • Transport platform sharing * • Government agreements
Information & engagement	Information often fragmented, Visegrád countries lack cooperation, Australian businesses lack information *	<ul style="list-style-type: none"> • Share and disseminate market and business opportunity specific information • Provide networking opportunities for businessmen * • Open up engagement for small businesses • Provide web based solutions * 	<ul style="list-style-type: none"> • Information service provision • Raise awareness • Platform for connections and networking 	<ul style="list-style-type: none"> • Information web page * • Database and matchmaking platform • Networking events * • Trade missions

* Items specifically identified in the round table discussion

Considerable options are to reduce risk (perceptions) with regard to the region, and provide institutional support facilitating FDI, in particular in ways that are successful in Western Europe but are scarce in Central and Eastern Europe (such as venture capital or investment related guarantees). Provided the gap in GDP levels in favour of Australia, prices of industrial assets and IP may favour Australian investors, especially during the reign of a strong Australian dollar³⁵. It would also be interesting to explore possibilities for the Australian financial institutions in the regions.

4.3 Building on language and education

Levels of English knowledge in the Visegrád countries, as well as the substantial presence of foreign language speaking communities in Australia provide a platform for enhancing cooperation between the regions. Based on Australia's traditional linkage to education and transition in Central Europe (with reference to the APTEE and APTEA programs), there is certainly obvious demand and opportunity for enhancing educational ties, and building trade in services. Augmented cultural and language exposure can lead to reduction of communication barriers and building cross-cultural understanding of consumers as well, laying a foundation of enhanced cultural exchange and services trade (such as tourism, art and fashion).

4.4 Bringing closer business practices

This particular issue has been identified by business practitioners during the panel discussion. It was suggested, that for example the nature (specifications, depth and details) of public tendering are so different between the two regions, that companies either get discouraged prior to even engaging, or experience substantial difficulties during implementation. The Visegrád countries have undergone harmonisation of their legal systems governing businesses with EU standards over the past decades. Nevertheless, there are differences between the two regions, which can be bridged with properly facilitated arbitration, potentially supported by government involvement. More specifically, considering the individual component pertaining to doing business, nature of servicing culture, detail and process of negotiation can converge through increased exposure and cross cultural learning.

4.5 Tackling size and distance

Assertions made at the round table discussion reinforced the conclusions made on the magnitude of trade between the regions. Transportation of goods – particularly at the individual business level – can

become either expensive or slow due to the small size of transactions. This particularly disadvantages small businesses in Australia and the Visegrád countries.

In order to tackle this issue, enhanced, cross country cooperation between business actors can provide solutions, especially if encouraged and aided by the government through communication facilitation and providing favourable transportation deals.

4.6 Providing information and enhancing engagement

Stakeholders represented at the round table discussion articulated that business needs to be done by business people, and they can only do business when they meet. In fact, one of the most important avenues of enhancing business opportunities is the facilitation of business networking, and creating connections between individual business people between the two regions. Government representatives have articulated that there are substantial, industry focussed initiatives already in place, which lead the forum to conclude that enhanced multilateral collaboration and information provision may lead to increased engagement and emergence of business opportunities in both directions.

5 Conclusions and implications

The leadership and engagement matrix developed by the authors was used to summarise the information in relation to enhancing relationships and exchange between Australia and the Visegrád countries. A review of secondary data and a round table discussion informed researchers of the current situation and future prospects of doing business and conducting other areas of exchange between the regions. This led to developing strategic and governance recommendations for the stakeholders. In this section, summarises the experiences using the leadership and engagement matrix framework, provides a comprehensive summary of the analysis outcomes and highlights recommendations for future research based on the limitations encountered.

5.1 Conclusions on the use of the leadership and engagement matrix

The leadership and engagement matrix – based on the conceptual foundations of integrated leadership theory, public and business leadership and governance – has proven to be an effective tool for aggregating information from various sources in one comprehensive framework.

The challenge experienced by the researchers when using the tool is the validation of recommendations. In fact, the leadership and engagement matrix can provide a structured view of secondary information and stakeholder views, but its inherent limitation is the ability to provide an

³⁵ This might impact the other way round when the Australian dollar falls significantly.

unquestionable evidence base for the recommendations. This however is not surprising, as the tool is of a qualitative nature, and qualitative instruments are more suited to developing options or alternatives, as opposed to validating certain outcomes.

In terms of the governance related recommendations, this has provided a further challenge. Upon articulating options and alternatives for objectives to pursue, specific recommendations for policy makers and businesses on how to realise these outcomes are questionable, until the objectives are validated. Nevertheless, the framework was suitable to articulate some direction for the stakeholders to move forward.

5.2 Recommendations for development of relationships

Recommendations for public and private sector governance are summarised in conclusion of this paper. There have been a number of barriers identified for businesses that inhibit growth of their relationships across the regions. For merchandise trade, distance is identified as a primary inhibitor of the growth of transactions. Further to this, transportation costs and volumes, and differences in business and customer service culture are highlighted.

The two main issues need to be addressed in different ways. Costs related to transportation and distance can be bridged by businesses by collaborating on managing logistics. However, business and customer service cultural and legal differences require a different adjustment from the participating businesses. Familiarisation, learning and exposure are essential for businesses to bridge this gap, and these require additional resources, which tend to bite into profit margins.

Government involvement can be crucial in eliminating excessive transactional costs in order to facilitate more efficient collaboration of business actors. Trade missions, networking interfaces and opportunities and ongoing education programmes can contribute to bridging this gap.

Government related stakeholders may face further challenges in terms of harmonising business related regulations, and augmenting frameworks for enhancing communication and exchange. A reduced perception of risk can also contribute to enhanced investment exchange, and an augmented potential for services exchange (such as arts, culture, fashion, tourism and education).

An important aspect of facilitating this collaboration is establishing forums of collaboration. The Visegrád nations have a forum for collaboration, but government initiatives are potentially augmented by cross country collaboration both at the Central European level and also across the equator.

Government programmes aimed at SMEs – more sensitive to transaction costs – can potentially trigger

more robust results, as entrepreneurs are also more flexible and are expected to learn how to adjust to the new business environments more quickly. Existing language skills in Central Europe, and community groups in Australia can also provide a foundation to developing connections at an individual level.

And whilst the governments – and in particular Austrade – is heavily engaging in information provision to the stakeholders and businesses in particular, building an interface that acts as a one-stop-shop from both sides may develop potential for improving the dissemination of information.

5.3 Limitations and further research

As highlighted in relation to the leadership and engagement matrix itself, validation of the recommendations is essential. The data reviewed – especially on investment exchange – was of poor availability and detail, and more accurate time series of information would enable recognition of patterns more effectively.

Further to historical, secondary data, the paper did not go into exploring in detail the already existing institutional frameworks and treaties. This component of the analysis will create further insights to be incorporated into the leadership and engagement matrix.

Additional detail in terms of doing business issues, governance, corruption and innovativeness can also be incorporated in a more detailed analysis, as part of the review of secondary data, to highlight specific issues of business level compatibilities and mismatches.

Further research needs to expand the leadership and engagement matrix with the above listed components. Further research also needs to address the obstacle of validating the recommendations concluded from the leadership and engagement matrix, which will require the inclusion of a larger sample of stakeholders. This will provide new challenges for researchers into the future.

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